

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 04 ROME 001059

SIPDIS

BRUSSELS ALSO FOR USEU  
DEPT FOR EUR/WE, EUR/ERA  
DEPT PASS TREAS FOR OASIA HARLOW, JONES  
STATE PASS FRB FOR GUST

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EFIN](#) [EFIN](#) [EFIN](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLAS](#)  
SUBJECT: THE EURO CHANGEOVER IN ITALY

REF: (A) 2002 MILAN 14 (B) 01 ROME 6222; (C) 01 MILAN

728 AND OTHERS

1. SUMMARY: ITALYS TRANSITION TO THE EURO WENT SMOOTHLY, WITH A FEW SNAGS PRINCIPALLY IN THE SOUTH. ITALIANS STOPPED USING LIRE ON FEBRUARY 28, ALTHOUGH BANKS, AT THE REQUEST OF THE BANK OF ITALY, HAVE EXTENDED THE DEADLINE FOR EXCHANGING LIRE FOR EUROS UNTIL JUNE 30. OPINIONS ARE MIXED ABOUT THE INFLATIONARY IMPACT OF THE CHANGEOVER. OFFICIAL DATA SHOW A MODEST IMPACT, WHILE CONSUMER ASSOCIATIONS ARGUE THAT THE INFLATIONARY EFFECT WAS FAR HIGHER, BUT NOT CAPTURED BY OFFICIAL STATISTICS. ITALYS FIRST COUNTERFEIT EUROS HAVE BEEN FOUND. END SUMMARY.

A LONG CHANGEOVER

2. THE ITALIAN EURO CHANGEOVER PERIOD WAS ONE OF THE LONGEST AMONG THE 12 EU COUNTRIES THAT ADOPTED THE NEW CURRENCY. GERMANY, NETHERLANDS, IRELAND AND FRANCE ALREADY FINISHED THEIR CHANGEOVER. ITALY WAS TO HAVE FINISHED BY FEBRUARY 28, BUT, AT THE REQUEST OF THE CENTRAL BANK, THE ITALIAN BANKING ASSOCIATION EXTENDED THE CHANGEOVER PERIOD FOR FOUR ADDITIONAL MONTHS UNTIL THE END OF JUNE. THE EURO WILL BE THE ONLY LEGAL CURRENCY IN ITALY STARTING MARCH 1, BUT CUSTOMERS MAY CHANGE LIRE INTO EURO, FREE OF CHARGE, AT BANKS UNTIL

UNCLASSIFIED

PAGE 03 ROME 01059 01 OF 04 281501Z  
JUNE 30. THERE WILL BE SOME CONDITIONS: THE MAXIMUM ALLOWED PER EXCHANGE WILL BE 1,000,000 LIRE (516 EURO) PER DAY FOR CHECKING ACCOUNT HOLDERS BUT ONLY 500,000 (258 EURO) DAILY FOR OTHER CUSTOMERS. LARGER TRANSACTIONS WILL REQUIRE MORE NOTICE. POST OFFICES, WHICH ACCEPT CURRENCY PAYMENTS FOR UTILITIES, SAVINGS PLANS, ETC., ARE CONSIDERING EXTENDING THE CHANGEOVER PERIOD. AFTER MID-JUNE, CUSTOMERS MAY STILL CHANGE LIRE INTO EUROS AT BANK OF ITALY BRANCHES UNTIL FEBRUARY 2012, FREE OF CHARGE.

3. ITALY IS NOT THE ONLY COUNTRY OF THE EURO-ZONE THAT HAS EXTENDED THE CHANGEOVER PERIOD FOR BANKS. BANKS IN FRANCE, LUXEMBOURG, PORTUGAL, AND SPAIN WILL EXCHANGE NATIONAL CURRENCY FOR EUROS, FREE OF CHARGES, UNTIL END-JUNE. ANOTHER FOUR COUNTRIES (AUSTRIA, FINLAND, GREECE AND IRELAND) ARE DISCUSSING A POSSIBLE EXTENSION. IN THE NETHERLANDS, EXCHANGE WILL BE POSSIBLE UNTIL THE END OF 2002.

CHANGEOVER DATA

4. THE ITALIAN CHANGEOVER WENT SMOOTHLY, BUT THERE ARE STILL LIRE BANKNOTE CIRCULATING, NOTICEABLY IN SUPERMARKETS, SHOPPING CENTERS, MALLS AND RESTAURANTS. THE OVERALL VALUE OF LIRE CIRCULATING IN ITALY AT THE END OF 2001 WAS 120 TRILLION LIRE, EQUIVALENT TO 62 BILLION EURO. ACCORDING TO THE BANK OF ITALY, MORE THAN 1.6 BILLION LIRE BANKNOTE HAVE BEEN WITHDRAWN FROM CIRCULATION, VALUED AT ABOUT 90 TRILLION LIRE

UNCLASSIFIED

PAGE 04 ROME 01059 01 OF 04 281501Z  
(46.5 BILLION EURO). THERE ARE REMAINING 30 TRILLION LIRE (15.5 BILLION EURO) OR 25 PERCENT OF LIRE VALUE STILL IN CIRCULATION. MOST LARGE LIRE BANKNOTES HAVE BEEN EXCHANGED FOR EUROS. DESPITE THE SUCCESS OF THE CHANGEOVER, 1.5 BILLION LIRE IN BANKNOTES ARE EXPECTED TO REMAIN IN CIRCULATION AFTER FEBRUARY 28, MOSTLY IN SMALL DENOMINATIONS. THE EXTENSION OF THE LIRA/EURO EXCHANGE DEADLINE IS EXPECTED TO HELP SMALL SHOPKEEPERS, THE ELDERLY AND OTHER GROUPS THAT HAVE BEEN SLOW TO ACCEPT THE EURO CHANGEOVER.

5. ACCORDING TO THE ITALIAN BANKING ASSOCIATION, DURING THE CHANGEOVER, ITALIAN BANKS HAVE WITHDRAWN 100 TRILLION LIRE (51.6 BILLION EURO) SO FAR AND ARE EXPECTED TO WITHDRAW ANOTHER 110 TRILLION (56.8 BILLION EURO) BY THE END OF FEBRUARY. (COMMENT: THE DATA REFER TO LIQUIDITY CONVERTED FROM LIRE TO EURO SO FAR, WITH NO IMPACT ON OVERALL LIQUIDITY.)

ONE- AND TWO-CENT COINS DEBATE

6. LATE IN JANUARY, ECONOMY MINISTER GIULIO TREMONTI MENTIONED THAT GOI IS CONSIDERING FOLLOWING FINLANDS

UNCLASSIFIED

UNCLASSIFIED PTQ1822

PAGE 01 ROME 01059 02 OF 04 281502Z  
ACTION EUR-00

INFO	LOG-00	AGRE-00	AID-00	CEA-01	CIAE-00	CTME-00	INL-00
	DODE-00	ITCE-00	DOTE-00	SRPP-00	EB-00	EXME-00	E-00
	FAAE-00	UTED-00	VC-00	FRB-00	H-01	TEDE-00	INR-00
	ITC-01	L-00	VCE-00	AC-01	NSAE-00	NSCE-00	OMB-01
	OPIC-01	PC-01	ACE-00	SP-00	SSO-00	SS-00	STR-00
	TEST-00	USIE-00	FMP-00	SNIS-00	NISC-00	DRL-02	G-00
	SAS-00	/009W					

-----6D4A2B 281502Z /38

R 281430Z FEB 02  
FM AMEMBASSY ROME  
TO SECSTATE WASHDC 2491

DEPT OF TREASURY WASHDC  
INFO AMCONSUL MILAN  
AMCONSUL FLORENCE  
AMCONSUL NAPLES  
EUROPEAN POLITICAL COLLECTIVE  
USDOC WASHDC

UNCLAS SECTION 02 OF 04 ROME 001059

SIPDIS

BRUSSELS ALSO FOR USEU  
DEPT FOR EUR/WE, EUR/ERA  
DEPT PASS TREAS FOR OASIA HARLOW, JONES  
STATE PASS FRB FOR GUST

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EFIN](#) [EFIN](#) [EFIN](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLAS](#)  
UNCLASSIFIED

PAGE 02 ROME 01059 02 OF 04 281502Z  
SUBJECT: THE EURO CHANGEOVER IN ITALY

LEAD AND ELIMINATING ITS SMALLEST EURO COINS. TREMONTI TOLD REPORTERS THAT GETTING RID OF THE TINY ONE- AND TWO-CENT COINS WOULD CERTAINLY WIN THE FAVOR OF ITALIAN CITIZENS AND SAID HE WAS CAREFULLY CONSIDERING THE IDEA. BUT THE MINISTER, WHO WAS CRITICIZED AS A EURO-SKEPTIC IN THE WAKE OF HIS COOL RESPONSE TO THE INTRODUCTION OF THE NEW SINGLE CURRENCY, STRESSED THAT SUCH DECISIONS SHOULD NOT BE UNILATERAL. CALLS FOR SUCH A PRACTICE ARE GAINING MOMENTUM IN ITALY. THE MAYOR OF THE NORTHEASTERN CITY OF TREVISO, GIANCARLO GENTILINI, SAID THAT HE HAD WRITTEN TO TREMONTI URGING THE ELIMINATION OF THE COINS. GENTILINI SAID HE HAD HAD NUMEROUS COMPLAINTS FROM CITIZENS EXASPERATED BY THESE TWO MICROSCOPIC COINS. OUR WALLETS ARE ALREADY STUFFED TO OVERFLOWING WITH THE BIGGER COINS. THE CENTS WERE FINE BEFORE WORLD WAR II, WHEN MANY PEOPLE DIED OPLE DIED WITHOUT EVER TASTING THE JOY OF HANDLING A THOUSAND LIRE BANKNOTE.

17. GIANCARLO DEL BUFALO, OF THE EURO COMMITTEE OF THE MINISTRY OF ECONOMY AND FINANCE, DEFENDED THE EURO-CENTS, WHICH ALLOWED A MORE PRECISE CONVERSION OF LIRE PRICES INTO EURO PRICES. ECHOING THE OPINION OF FINANCE MINISTRY UNDERSECRETARY VITO TANZI, DEL BUFALO SAID THE MARKET WOULD BE THE ULTIMATE ARBITRATOR OF THE TYPE OF COINS USED.

UNCLASSIFIED

PAGE 03 ROME 01059 02 OF 04 281502Z  
PUBLIC OPINION  
-----

18. ACCORDING TO A MID-FEBRUARY SURVEY BY THE UNION OF ITALIAN CHAMBERS OF COMMERCE AND THE POLLING COMPANY TAGLIACARNE INSTITUTE, THE CHANGEOVER WAS SMOOTH. THE SUPPLY OF EUROS IN BANK CHANNELS WAS SUFFICIENT IN MOST CASES: ONLY 17 PERCENT OF THOSE POLLED HAD PROBLEMS WITH OBTAINING EUROS AT BANKS. POST OFFICES DID EVEN BETTER: ONLY 11 PERCENT OF THOSE POLLED HAD PROBLEMS OBTAINING EUROS AT POST OFFICES. WITH RESPECT TO PRICE HIKES, 37 PERCENT SAID THAT EURO PRICES FOR GOODS AND SERVICES HAD INCREASED FROM THE LIRE PRICES. (THIS CONTRASTS WITH A MUCH GREATER NUMBER -- 55 PERCENT OF THOSE SURVEYED WHO SAID IN JANUARY THAT EURO PRICES WERE HIGHER.) THE POLL SHOWED A LARGE DIFFERENCE BETWEEN NORTHERN AND SOUTHERN ITALY IN TERMS OF EURO SUPPLY AND PRICE INCREASES. FORTY-ONE PERCENT OF THOSE SURVEYED IN THE SOUTH SAID THEY HAD SIGNIFICANT DIFFICULTIES AT THE POST OFFICE, WHILE ANOTHER 32 PERCENT SIGNALLED THE SAME DIFFICULTIES AT BANKS. SEVENTY-SEVEN PERCENT OF THE SAMPLE SURVEYED IN THE SOUTH LAMENTED UNJUSTIFIED PRICE INCREASES.

19. IN THE SOUTH, LONG LINES AT BANKS AND POST OFFICES PERSISTED THROUGH THE END OF JANUARY. EVEN AS THE FEBRUARY 28 DEADLINE APPROACHED, MANY TRANSACTIONS IN SMALL SHOPS WERE STILL BEING CARRIED OUT IN LIRE. TAXIMETERS, WHICH HAD BEEN CONVERTED TO EUROS IN ROME SOON AFTER THE NEW YEAR, STILL SHOWED PRICES IN LIRE IN NAPLES AS RECENTLY AS LATE FEBRUARY. SHOPKEEPERS  
UNCLASSIFIED

PAGE 04 ROME 01059 02 OF 04 281502Z  
IN NAPLES FREQUENTLY HAVE PROBLEMS MAKING CHANGE, AS MOST CASH DRAWERS CONTAIN FAR MORE LIRE THAN EUROS. DESPITE THE INITIAL CONFUSION, AND THE CONTINUING RESISTANCE TO THE NEW CURRENCY, BANCO DI NAPOLI OFFICIALS MINIMIZED THE PROBLEMS WITH THE CHANGEOVER IN THE SOUTH. THEY BELIEVE THAT THE PROCESS OF ADAPTATION WILL ACCELERATE QUICKLY ONCE THE LIRA LOSES ITS VALUE AS LEGAL TENDER.

INFLATIONARY IMPACT OF THE CHANGEOVER  
-----

110. ANECDOTAL EVIDENCE SHOWS THAT, IN SEVERAL SECTORS, PRICES WERE ROUNDED UP TO FACILITATE THE EURO CONVERSION. ONLY AFTER FIRST QUARTER RESULTS ARE IN WILL A MORE COMPLETE PICTURE BE POSSIBLE. OFFICIAL STATISTICS INDICATE A 0.5 PERCENT INCREASE IN PRICES FROM THE PREVIOUS MONTH BOTH IN JANUARY AND FEBRUARY. IN PARTICULAR, PRICE FIGURES FROM TWENTY ITALIAN CITIES, RELEASED ON FEBRUARY 21, INDICATE THAT THE YEAR-TO-YEAR INFLATION RATE INCREASED FROM 2.4 PERCENT IN DECEMBER AND JANUARY TO 2.5 PERCENT IN FEBRUARY. CENTRAL BANK CONTACTS SAY A 0.7 PERCENT INCREASE IN INFLATION IS LIKELY IN THE FIRST QUARTER BECAUSE OF

UNCLASSIFIED

UNCLASSIFIED PTQ1827

PAGE 01 ROME 01059 03 OF 04 281502Z  
ACTION EUR-00

INFO	LOG-00	AGRE-00	AID-00	CEA-01	CIAE-00	CTME-00	INL-00
	DODE-00	ITCE-00	DOT-00	SRPP-00	EB-00	EXME-00	E-00
	FAAE-00	UTED-00	VC-00	FRB-00	H-01	TEDE-00	INR-00
	ITC-01	L-00	VCE-00	AC-01	NSAE-00	NSCE-00	OMB-01

OPIC-01 PC-01 ACE-00 SP-00 SSO-00 SS-00 STR-00  
TEST-00 USIE-00 FMP-00 SNIS-00 NISC-00 DRL-02 G-00  
SAS-00 /009W  
-----6D4A41 281502Z /38

R 281430Z FEB 02  
FM AMEMBASSY ROME  
TO SECSTATE WASHDC 2492  
DEPT OF TREASURY WASHDC  
INFO AMCONSUL MILAN  
AMCONSUL FLORENCE  
AMCONSUL NAPLES  
EUROPEAN POLITICAL COLLECTIVE  
USDOC WASHDC

UNCLAS SECTION 03 OF 04 ROME 001059

SIPDIS

BRUSSELS ALSO FOR USEU  
DEPT FOR EUR/WE, EUR/ERA  
DEPT PASS TREAS FOR OASIA HARLOW, JONES  
STATE PASS FRB FOR GUST

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EFIN](#) [EFIN](#) [IT UNCLASSIFIED PAGE ROME OF ECON](#) [IT UNCLASSIFIED PAGE ROME OF ECON](#) [IT UNCLASSIFIED PAGE ROME OF ECON](#) [IT UNCLAS](#)  
UNCLASSIFIED

PAGE 02 ROME 01059 03 OF 04 281502Z  
SUBJECT: THE EURO CHANGEOVER IN ITALY

THIS ROUNDING UP. THIS INCREASE WILL NOT BE EASILY  
ABSORBED DURING THE YEAR AND COULD PUSH THE YEARLY  
AVERAGE INFLATION RATE CLOSE TO TWO PERCENT. THERE  
WAS SOME ROUNDING DOWN AS WELL, WHICH COMPENSATED FOR  
A SMALL AMOUNT OF THE ROUNDING UP.

¶11. THE RESEARCH DEPARTMENT OF ITALYS LARGEST  
INDUSTRIAL ASSOCIATION, CONFINDUSTRIA, CONSIDERS THE  
ACCELERATION OF INFLATION A TEMPORARY EFFECT OF THE  
CHANGEOVER, AND BELIEVES THAT THE DECELERATION WILL  
START IN THE NEXT TWO MONTHS. HOWEVER, AS A RESULT OF  
THE FIRST TWO MONTHS OF 2002, THE CONFINDUSTRIA  
ESTIMATE OF AN INFLATION RATE OF 1.5 PERCENT IN 2002  
HAS HAD TO BE REVISED UPWARD TO ABOUT 2.0 PERCENT.  
THE MINISTRY OF ECONOMY AND FINANCE AND THE MINISTRY  
OF PRODUCTIVE ACTIVITIES CONTINUE TO TRUST IN THE  
ANTI-INFLATIONARY MECHANISMS SET UP BY THE GOI, AND  
PREDICT THAT THE CHANGEOVER WILL HAVE ONLY A MODEST  
INFLATIONARY IMPACT. OTHER GOI CONTACTS PREDICT THAT  
ADDITIONAL PRICE INCREASES MAY OCCUR ON MARCH 1, WHEN  
THE LIRA IS TAKEN OUT OF CIRCULATION. CARLO RIENZI,  
PRESIDENT OF THE LEADING CONSUMER ASSOCIATION,  
CODACONS, FORESEES SUBSTANTIAL PRICE INCREASES  
STARTING MARCH 1, WHEN LIRE PRICES WILL NO LONGER BE  
POSTED FOR COMPARISON. FROM THAT DAY, JUNGLE LAW WILL  
PREVAIL, RIENZI SAID.

¶12. THE CONSUMER ASSOCIATIONS, ADICONSUM, CODACONS AND  
UNIONE CONSUMATORI, SAY THAT THE INFLATIONARY IMPACT  
UNCLASSIFIED

PAGE 03 ROME 01059 03 OF 04 281502Z  
IS HIGHER THAN THE GOI HAS REPORTED. THESE  
ASSOCIATIONS PLAN TO APPEAL TO ISTAT, THE CENTRAL  
INSTITUTE OF STATISTICS, WHICH IS IN CHARGE OF THE  
CALCULATION AND THE PUBLICATION OF THE PRICE DATA,  
REQUESTING THE COMPOSITION OF THE NEW INDEX AND THE  
METHODOLOGY FOR CALCULATION OF PRICE INCREASES.  
ACCORDING TO THE ASSOCIATIONS, THE JANUARY DATA DO NOT  
MEASURE THE REAL INFLATIONARY IMPACT OF THE EURO  
CHANGEOVER, WHICH, THEY SAY, MAY EQUAL AN AVERAGE  
INFLATION OF THREE PERCENT THIS YEAR. THE  
ASSOCIATIONS ESTIMATE THAT PRICES WILL INCREASE BY 14  
PERCENT IN 2002 ON AVERAGE, WITH A LOSS OF PURCHASING  
POWER OF 557.77 EURO (USD 490) A YEAR PER HOUSEHOLD,  
,  
APPROXIMATELY 40 TO 50 EURO PER MONTH. THE CONSUMER  
ASSOCIATIONS RECENTLY PUBLISHED A PAMPHLET  
HIGHLIGHTING PRICE INCREASES. HIGHWAY TOLLS ROSE BY  
2.21 PERCENT, NATIONAL TELEVISION FEES BY 1.46  
PERCENT, LOTTERY TICKET PRICES BY 16 PERCENT FROM  
5,000 LIRE (EURO 2.58) TO THREE EUROS. IN MILAN,  
PUBLIC TRANSPORTATION TICKETS INCREASED BY 29.1  
PERCENT, FROM 1,500 LIRE (EURO 0.77) TO ONE EURO.

MONEY-LAUNDERING AND COUNTERFEITING  
-----

¶13. THE EURO HAS BLACK-MARKET BENEFITS THAT THE DOLLAR  
CANNOT MATCH. THE SINGLE CURRENCY GLIDES WITHOUT A  
TRACE ACROSS A NEWLY BORDER-LESS EUROPE IN BILLS  
DENOMINATED IN LARGE VALUES SCARCELY SEEN IN THE  
REGION. THE E500 NOTE THE HIGHEST DENOMINATION - IS  
UNCLASSIFIED

PAGE 04 ROME 01059 03 OF 04 281502Z  
ALSO ABOUT FIVE TIMES THE VALUE OF THE LARGEST DOLLAR  
NOTE IN CIRCULATION, THE USD 100 BILL. WHETHER  
MEASURED BY WEIGHT OR VOLUME, THIS MEANS MORE EUROS  
CAN BE JAMMED INTO A BRIEFCASE THAN DOLLARS OR OLD  
EUROPEAN CURRENCIES. ACCORDING TO THE MINISTRY OF  
ECONOMY AND FINANCE, THE ARRIVAL OF THE EURO  
INCREASED THE RISKS OF MONEY-LAUNDERING. THE PERIOD  
OF DOUBLE CIRCULATION LIRA-EURO REPRESENTS THE LAST  
CHANCE FOR HOLDERS OF ITALIAN LIRE OF ILLICIT ORIGIN  
TO TRY TO RECYCLE THROUGH THE CONVERSION IN EURO OR  
THROUGH THE PURCHASE OF GOODS AND INVESTMENTS.

¶14. ON FEBRUARY 19, LAW ENFORCEMENT OFFICIALS SEIZED  
NEAR ROME 25,000 COUNTERFEIT 50 AND 200 EURO  
BANKNOTES. THIS IS THE FIRST SEIZURE OF COUNTERFEIT  
BANKNOTES IN ITALY, WHICH WERE APPARENTLY OF HIGH  
QUALITY. COMMENT: THERE HAS NOT BEEN A NOTABLE  
INCREASE IN COUNTERFEIT CURRENCY IN ITALY. LAW  
ENFORCEMENT OFFICIALS AT POST AND IN ITALY IN  
GENERAL -- SAID THAT THEY EXPECTED A SIGNIFICANT  
UPSWING IN COUNTERFEIT EUROS IN THE FIRST WEEKS AFTER  
ITS INTRODUCTION, AS COUNTERFEITERS TESTED THE  
MARKETS AWARENESS ABOUT THE EUROS APPEARANCE.  
HOWEVER, THE EUROS SECURITY FEATURES SEEM TO HAVE

UNCLASSIFIED

UNCLASSIFIED PTQ1831

PAGE 01 ROME 01059 04 OF 04 281503Z  
ACTION EUR-00

INFO	LOG-00	AGRE-00	AID-00	CEA-01	CIAE-00	CTME-00	INL-00
	DODE-00	ITCE-00	DOTE-00	SRPP-00	EB-00	EXME-00	E-00
	FAAE-00	UTED-00	VC-00	FRB-00	H-01	TEDE-00	INR-00
	ITC-01	L-00	VCE-00	AC-01	NSAE-00	NSCE-00	OMB-01
	OPIC-01	PC-01	ACE-00	SP-00	SSO-00	SS-00	STR-00
	TEST-00	USIE-00	FMP-00	SNIS-00	NISC-00	DRL-02	G-00
	SAS-00	/009W					

-----6D4A59 281503Z /38

R 281430Z FEB 02  
FM AMEMBASSY ROME  
TO SECSTATE WASHDC 2493  
DEPT OF TREASURY WASHDC  
INFO AMCONSUL MILAN  
AMCONSUL FLORENCE  
AMCONSUL NAPLES  
EUROPEAN POLITICAL COLLECTIVE  
USDOC WASHDC

UNCLAS SECTION 04 OF 04 ROME 001059

SIPDIS

BRUSSELS ALSO FOR USEU  
DEPT FOR EUR/WE, EUR/ERA  
DEPT PASS TREAS FOR OASIA HARLOW, JONES  
STATE PASS FRB FOR GUST

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EFIN](#) [EFIN](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLAS](#)  
UNCLASSIFIED

PAGE 02 ROME 01059 04 OF 04 281503Z  
SUBJECT: THE EURO CHANGEOVER IN ITALY

DISSUADED COUNTERFEITING, LAW ENFORCEMENT OFFICIALS AT  
POST REMARKED. END COMMENT.

MMMENT.

THE THAI THREAT & OTHER STORIES

15. THE EURO HAS ITS DOUBLES. THANKS TO THE  
SIMILARITY BETWEEN THE OLD 500 LIRE COINS AND THE TWO-  
EURO COINS (BOTH BI-METALLIC AND WITH ALMOST THE SAME  
WEIGHT) IN THE FIRST DAYS OF THE CHANGEOVER, MANY OLD  
500 LIRE COINS HAVE BEEN ACCEPTED FOR SMALL PAYMENTS  
IN PLACE OF THE TWO-EURO COINS. THE 500-LIRE COIN IS  
VERY SIMILAR, BUT IS WORTH ONLY ONE-EIGHTH (26 EURO  
CENTS) OF A TWO-EURO COIN.

16. UNFORTUNATELY, THERE IS ANOTHER THREAT. THE THAI  
10-BAHT COIN IS A PERFECT TWIN OF THE TWO-EURO COIN,  
BUT IS WORTH ONLY 25 EURO CENTS. ANECDOTALLY, WE HAVE  
HEARD THAT SOME TEN-BAHT COINS HAVE BEEN USED IN  
AUTOMATIC CIGARETTE AND BEVERAGE DISPENSING MACHINES.

ROME MISCELLANY  
-----

17. FEWER THAN ONE THIRD OF ROMES 365 AUTOMATIC BUS  
TICKET DISPENSERS ACCEPT EURO COINS. ATAC, THE ROME  
CITY TRANSPORTATION AGENCY, PROMISED THAT ALL WOULD  
UNCLASSIFIED

PAGE 03 ROME 01059 04 OF 04 281503Z  
ACCEPT EUROS BY THE END OF FEBRUARY. AN ESTIMATED  
ED  
FIVE- PERCENT OF GASOLINE STATIONS DID NOT ACCEPT EURO  
BANKNOTES BY THE END OF FEBRUARY. BY MARCH 1, ALL  
PARKING METERS WILL ACCEPT THE EURO.

COMMENT

18. DESPITE THE INITIAL INCONVENIENCE, THE ITALIAN  
TRANSITION WAS SMOOTHER AND FASTER THAN EXPECTED AND  
MORE ITALIANS ACCEPTED EUROS EARLIER THAN EXPECTED.  
TOO MANY SMALL LIRE BANKNOTES STILL CIRCULATE OR AT  
LEAST REMAIN TO BE EXCHANGED. THE BANKING  
ASSOCIATIONS DECISION TO PROLONG THE ACCEPTANCE  
PERIOD FOR LIRE SEEMS WISE, GIVEN THE 1.6 BILLION LIRA  
BANKNOTES (WITH AN OVERALL VALUE OF 15.5 BILLION EURO)  
IN CIRCULATION. THE ORIGINAL FEBRUARY 28 DEADLINE FOR  
EXCHANGING THESE NOTES MIGHT HAVE MEANT A LAST MINUTE  
CRUNCH, WHICH COULD HAVE CAUSED SERIOUS DELAYS IN  
BANKS AND POST OFFICES. WE ARE MONITORING THE  
INFLATIONARY IMPACT OF THE CHANGE TO EUROS, AND WILL  
CONTINUE TO DO SO IN THE MONTHS AHEAD. WE WILL ALSO  
KEEP ON EYE ON WHETHER THERE IS ANY DOWNWARD PRESSURE  
ON PRICES (OR INCREASED DEMAND FOR GREATER  
EFFICIENCIES) AS ITALIANS BEGIN TO NOTICE COST  
DIFFERENTIALS FOR THEIR HIGH-PRICED GOODS AND SERVICES  
COMPARED TO THEIR EURO-ZONE NEIGHBORS. END COMMENT

SEMBLER

UNCLASSIFIED

PAGE 04 ROME 01059 04 OF 04 281503Z

UNCLASSIFIED

>  
2002ROME01059 - Classification: UNCLASSIFIED